

## ESSENTIAL REFERENCE PAPER 'B'

### **Summary Of The Revised PLACE Scheme**

#### **Introduction**

The PLACE project originated through a group of authorities successfully bidding for funding from the Regional Housing Pot in 2006 with the aim of using the funds to support the return to use of empty properties. Currently seven local authorities (Chelmsford, East Herts, Epping Forest, Harlow, Uttlesford, Hertsmere and Watford) are participating in the project with our partner Registered Provider (Genesis Housing Group). The project was set the target of returning 116 properties to use providing accommodation at more affordable rent levels.

The original PLACE grant has evolved during the project and provides for funding of significant renovation work (up to £50K for a 3 or more bedroom property) with Genesis managing the works and taking a 3 year lease on the property. During the lease period the owner receives no rent and tenants nominated by the Local Authority are given assured shorthold tenancies at or below Local Housing Allowance levels. The excess of rent received over the management and other costs incurred by Genesis are recycled into the scheme.

With take up of the scheme significantly lower than anticipated the original participating authorities undertook a review of the scheme which identified (among other things) the need to increase the flexibility of the funding arrangements to more closely meet the identified need.

As a result of the review the Consortium has developed additional funding options including a lower level of grant and a loan option as well providing the authorities access to the funding for appropriate enforcement action targeted to bring a property back into use.

The revised scheme options are described in turn below.

#### **PLACE Grant**

This grant provides funding for significant renovation works to an empty property. Typical maximum grant levels for properties are:

1 bed	£30,000
2 bed	£ 40,000
3 bed	£ 50,000

Properties are inspected by the local authority together with Genesis and a schedule of the works required is prepared and agreed with the owner. The works are costed by Genesis and checked and approved by the Local Authority. Works or furniture/fittings/appliances required to take the property from the agreed standard to the Genesis letting standard are funded by Genesis and recovered from the rent received.

Once approved the owner enters into a lease agreement with Genesis who complete the renovation works and manage tenancies for the three years.

At the end of the lease period Genesis will hand the property back to the owner having made any necessary repairs. If appropriate the owner will be encouraged to continue the property with Genesis on a lease scheme with rent and in any case will be encouraged to keep the property in use.

### **PLACE Repair and Rent Scheme**

This option supports those properties where there is less work required than for the original PLACE grant. Grants of between £10,000 and £25,000 will be made for eligible works on condition that the owner signs on to a Housing Association Lease Scheme with Genesis. The length of the lease will typically be three years.

Before accepting the property it will be inspected by the local authority together with Genesis and a schedule of works required to bring the property to the lettable standard will be prepared and agreed with the owner. The owner is then responsible for obtaining two quotes from suitably qualified contractors which, together with one quote from Genesis, will be considered by the Local Authority.

The Local Authority will approve the amount of grant to be paid in accordance with the lowest quote. If the cost of works is higher than that appropriate for the property size and lease length or, if the owner wishes to use a contractor with a higher quote or include additional works, the owner can make up the difference.

After approval it is the applicant who employs the builder to undertake agreed works, the Local Authority has no contractual liabilities in that relationship and the applicant is ultimately responsible for ensuring the quality of the completed works. On each approval document the time period allowed for works to be completed will be given, this will not normally exceed 6 months and may be significantly shorter for small items of work.

The Local Authority will consider requests for interim payments although no more than 90% of the total approved amount will be paid before final completion. All requests for payment must be supported by an acceptable invoice and will be made direct from the consortium's banker to the appropriate contractor following inspection by the Local Authority and agreement with the applicant that works to the appropriate stage have been satisfactorily completed. In a situation of dispute between the applicant and contractor, which is not resolved in a reasonable time period the grant, or part thereof, may be paid to the applicant, agent or contractor at the discretion of the Local Authority.

Upon completion of all works a joint handover will take place with the applicant, the appropriate Local Authority and Genesis and subject to the works being agreed as satisfactory by all parties the lease period will commence. Tenants

will be nominated by the local authority to Genesis who will manage the property for the period of the lease.

During the period of the lease the owner will retain repairing responsibility for the property however the responsibility for any damage caused by the tenants, beyond fair wear and tear, will be remedied by Genesis (there is a limit in the lease re Genesis's repair responsibilities).

### **PLACE Loans**

The loan is designed to offer a further alternative to owners of empty properties to that of the PLACE Grant and PLACE Repair and Rent Scheme for the renovation and improvement of single properties or the conversion of empty properties into a number of units so that they are suitable for use as residential accommodation. In particular it can address those properties where it is less appropriate for the Local Authority to commit to nominating a tenant.

The amount of loan that will be approved will be dependant on the actual cost of the works up to a maximum of £25,000 per property or unit, and a total of £175,000 for multiple units. For example:

- If applying for a loan to renovate one dwelling and the works are calculated to cost £16,000, this is the maximum amount of loan
- If converting a dwelling into four units the maximum loan would be £100,000 (subject to specific costs)
- If applying for a loan to convert a property into ten units the maximum amount of loan would be capped at £175,000.

Before a full loan application can be made the property will be inspected by the local authority and a list of those deficiencies that must be remedied will be prepared and agreed with the owner. The owner is then responsible for preparing a detailed specification and obtaining three quotations from suitably qualified contractors for consideration by the Local Authority.

Following approval of the loan it is the applicant who employs the builder to undertake agreed works, the Local Authority has no contractual liabilities in that relationship and the applicant is ultimately responsible for ensuring the quality of the completed works. On each approval document the time period allowed for works to be completed will be given, this will not normally exceed 12 months and may be significantly shorter for small items of work.

Properties will be inspected on completion of works to ensure that the works for which the loan was agreed have been carried out and there are no remaining hazards at the property. All work must be carried out in accordance with any planning permissions or building regulation approvals made in respect of the property.

The loan agreed will either be a "loan for let" or "loan for sale" based on the owner's intentions for the property following renovation or conversion. Conditions for the repayment of the loan are dependant on the loan type:

- With a "loan for sale" the loan is repayable either, immediately upon the sale of the property, or within two years of the date the loan was agreed (whichever is the sooner).
- With a "loan to let" the loan is repayable within five years of the date the loan was agreed or upon the sale of the property should the owner's plans change.
- If the loan is to convert a property into multiple units and there is a disposal of one or more units then the applicant must repay the lesser amount of the gross sale proceeds or the amount of loan outstanding as each sale completes. If after this there is still an amount outstanding the applicant must repay this on the earlier of either the disposal of the final unit or the relevant date specified in the loan facility agreement.

#### **Conditions common to each funding option**

Properties must have been unoccupied for at least six months before approval of any funding.

The applicant will need to be the owner of the property as confirmed by HM Land Registry. Potential purchasers may apply for funding but must have completed the purchase before approval is obtained.

The grants are secured as a local land charge against the property for the period of the leasing scheme. Loans are secured by a charge at Land Registry.

After completion of works each property must meet the Decent Homes Standard.

Fees in relation to the appointment of a professional agent and those required to meet statutory responsibilities may be incorporated into the grant or loan subject to the maximum approved amount for the property. However, this does not include any fees associated with obtaining any planning permission or initial building regulations or land registry applications. Any fees incurred by the applicant before the grant or loan is approved will be at the owner's risk and will not be paid by the Local Authority if the grant or loan is not approved or for any reason is not taken up.

#### **Support for Enforcement**

Within this Authority's Empty Homes Strategy enforcement is available as a last resort for appropriate properties where the owner either refuses to engage with the Authority or otherwise will not bring the property back into use within a reasonable time period. The Authorities within the PLACE consortium have not generally used the enforcement options available to them and recognise that the threat of enforcement has been effective but will not remain so indefinitely without taking action where necessary. In most cases the use of enforcement requires the Authority to fund work up front although much of this will be recovered later in the process. Situations where the PLACE funding can support enforcement action include:

- **Empty Dwelling Management Orders (EDMO's)**  
 All costs associated with the management of a property under an interim or final EDMO including the costs of required works to bring the property to a lettable standard and maintain it in such a standard. Appropriate costs should be recoverable from the rent received during the term of the EDMO but for properties with higher levels of renovation work required the PLACE funding will permit EDMO's to be considered where, without it, there would have been a risk of loss to the Local Authority.
- **Compulsory Purchase Orders**  
 All costs associated with the making, submitting and implementing of a Compulsory Purchase Order under the Housing Acts and Planning and Compulsory Purchase Act including statutory notices, compensation, interest, repair works, and agents fees for disposal of the property.
- **Works In Default**  
 All costs associated with carrying out works in default where this is included in a plan to bring the property back into use within a reasonable timescale. Works in default will be registered as a debt on the property and may be recovered through our debt recovery processes or if unpaid may lead to an Enforced Sale.
- **Enforced Sale**  
 All costs associated with implementing the Enforced Sale Procedure for an empty property which enables the sale of a property to recover costs including those incurred carrying out works in default.